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# AICPA *Washington Report*

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## GENERAL ACCOUNTING OFFICE

State audit responsibilities need clarification, according to a letter from U.S. Comptroller General Charles Bowsher to Senator Bob Packwood, Chairman of the Committee on Commerce, Science, and Transportation. Responding to a request from Sen. Packwood, Mr. Bowsher offered his comments on S. 2129, a bill to establish a block grant development program to fund state ocean and coastal resource management and development activities. In his letter to Sen. Packwood, Mr. Bowsher stated that Section 6 of S. 2129 would require each state receiving a block grant to submit to the Secretary an "evaluation assessment." Each "evaluation assessment" must contain an audit of all funds provided under the block grant, as well as such other information as the Secretary may by regulation prescribe. Mr. Bowsher continued, "we recommend clarification of these oversight requirements." He then listed his specific recommendations: identify the type of audit required as a financial audit; identify the standards that apply in making audits as the standards established by the Comptroller General for the audit of governmental organizations, programs, activities, and functions; provide states with the option of making financial audits of entities that administer the block grant, rather than a financial audit that focuses exclusively on block grant expenditures; and, address the obligations of the Secretary and recipients to review program operations and, where necessary, assess compliance with program requirements.

## OFFICE OF MANAGEMENT AND BUDGET

Revisions to OMB Circular A-21, "Cost Principles for Educational Institutions," were approved by OMB Director David Stockman on 7/23/82, with publication to occur in the Federal Register this week. The revisions, according to OMB, are based on recommendations of a university group composed of representatives from the Association of American Universities and Council of Scientific Society Presidents. It gives universities, according to OMB, more flexibility in selecting the method to be used in accounting for salary costs, but still provides strict accountability for Federal funds. The revised Circular also makes allowable interest costs related to newly constructed or acquired buildings, major building renovations, and major equipment purchases. In a transmittal memorandum from OMB Director David Stockman to the heads of executive departments and establishments, Stockman stated that "the revision changes the procedures covering allocation of personal service costs and recognizes interest costs in certain circumstances."

## SECURITIES AND EXCHANGE COMMISSION

The SEC will begin accepting applications in mid-September for its highly successful Professional Accounting Fellow program. Two individuals will be selected in early 1983 for two-year terms to begin in the early summer. Applicants are required to submit background information and a brief position paper on an accounting subject of interest to them and germane to the SEC. An announcement describing the program and application procedures is available from the Office of the Chief Accountant, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. According to Clarence Sampson, Chief Accountant, the fellowship candidate should have one or more years of managerial experience in a public accounting firm, or in an organization which provides equivalent experience. In addition, the applicant should be thoroughly familiar with the technical accounting and auditing literature as well as current accounting issues confronting the profession. Work assignments typically include the study of significant accounting, auditing and disclosure issues or concepts, participation in the drafting of financial reporting releases and staff accounting bulletins, evaluation of current reporting by registrants,

interaction with various governmental and private professional accounting groups and presentations at accounting conferences and meetings. The program, according to the SEC, provides an outstanding opportunity for personal development and career enhancement. An SEC Fellow deals with a broad range of issues that develop problem-solving abilities and that provide the individual with invaluable exposure to the regulatory and standard-setting environment. To date, 15 alumni of this program have returned to the public accounting profession. The success of this program, according to the SEC, is reflected in the continuing benefits to the profession as well as to the former Fellows from the experience gained while working at the SEC.

Publication of certain SEC forms in the Federal Register, in a series of installments is a response by the SEC to its own survey which determined that not all forms had been published in their entirety in the Federal Register. Accordingly, the SEC is publishing certain forms, beginning with the 8/3/82 Fed. Reg., pp. 33590-33646.

#### SMALL BUSINESS ADMINISTRATION

At least \$275 million in federal research and development funds will be available to small business each year upon implementation of the Small Business Innovation Act, according to a recent SBA news release. The Act was signed into law in mid-July and requires the Department of Defense, NASA, Health and Human Services, Energy, Transportation, National Science Foundation, Agriculture, EPA, and the National Regulatory Commission to create a Small Business Innovation Research Program (SBIR) beginning 10/1/82. "A basic purpose of the Act," according to SBA Administrator James C. Sanders, "is to strengthen the role of small innovative companies in federally-funded research and development." The Act also provides incentives to convert the research results from small science and high-technology firms into commercial applications. The Act requires that the eight civilian agencies set aside, for small business, 2/10ths of 1% of their outside R&D budget in fiscal 1983, with the set-aside total rising to 1.25% in fiscal 1987. The Department of Defense has an additional time limit to meet these same goals. For additional information contact Robert Dietsch at 202/653-6822.

#### TREASURY, DEPARTMENT OF

Disclosures of returns and return information to officers and employees of the Department of Labor and Pension Benefit Guaranty Corporation is the subject of an IRS notice of proposed rulemaking (see the 8/3/82 Fed. Reg., pp. 33519-20). These proposed regulations affect disclosures of returns and return information under section 6103(I)(2) of the Internal Revenue Code of 1954 and provide IRS personnel with the guidance needed to comply with the law. The proposed amendment would permit the IRS, in connection with the automatic disclosure of any item within the 27 categories, (specifically described categories of returns and return information), to voluntarily disclose to the Department of Labor and the PBGC such additional tax information as the IRS determines is or may be necessary in the administration of Title I or IV of ERISA. For additional information contact David Dickinson at 202/566-3218. Comments are requested by 10/1/82.

Income tax statistics for sole proprietorships, from 1979 and 1980, are now available according to a recent IRS News Release (IR 82-88). The report contains financial data derived from a sample of sole proprietorship returns indicating that there were 12.7 million sole proprietorships, that business receipts amounted to almost \$506 billion and net income totaled over \$55 billion for 1980. Major categories of the data in the report are size of business receipts, size of net income or deficit, State, businesses with or without net income and size of adjusted gross income of proprietors. IRS publication 1131 is available for \$7.50 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

SPECIAL: SENATE BANKING COMMITTEE POSTPONES ACTION ON MAJOR BANK BILL

Indefinite postponement of a Senate Banking Committee mark-up session on major banking and savings and loan changes casts doubt on Congressional action prior to the scheduled August recess. Senate Banking Committee Chairman Jake Garn (R-UT) in an 8/3/82 letter to Members of the Committee, expressed the need for additional time to consider and review 30 amendments, including an extensive substitute measure which, according to Senator Garn, contains numerous modifications of the Committee print distributed in late July. The Committee print contains provisions from S. 1720, S. 2531, and S. 2532. There is some speculation that action might occur separately on S. 2531 this year. This bill contains measures which, in effect, increase the net worth or surplus accounts of S&L's, mutual and certain other savings bank.

SPECIAL: PROCEDURAL DIFFERENCES DELAY ACTION BY HOUSE-SENATE CONFERENCE

Differences in procedural interpretation between House-Senate Conferees surfaced in a 8/5/82 meeting to consider H.R. 4961, a measure designed to raise \$100 billion in additional revenue over the next 3 years. Sen. Russell Long (D-LA) reminded the Conferees of his 30 years experience on the Finance Committee, with 12 years as Chairman, and stated that the Conference was in his judgment, procedurally precluded from considering any measures that had not been passed by the House. Sen. Long went on to state that such consideration could negate the entire Conference Report. Rep. John Dingell (D-MI), Chairman of the House Committee on Energy and Commerce, challenged Long's interpretation. The disagreement arose over consideration of several bills passed by Dingell's Committee and the House Ways and Means Committee, but not considered or passed by a vote in the House. H.R. 4961 contains the Armstrong-Long amendment to a taxpayer disclosure section, providing that the taxpayer can avoid a new tax penalty for substantial understatement of tax when he believed he had "substantial authority" for such deduction or position taken. The House-Senate Conferees are scheduled to meet again on 8/9/82 at 1:15 p.m.

For additional information please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

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